

STATEMENT OF
ROGER C. VIADERO
INSPECTOR GENERAL
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE, SUBCOMMITTEE ON
DEPARTMENT OPERATIONS, OVERSIGHT, NUTRITION,
AND FORESTRY
JUNE 27, 2001

Good afternoon, Mr. Chairman, and members of the Committee. We appreciate the opportunity to testify about changes in the Food Stamp Program since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, generally known as the Welfare Reform Act, and the status and effectiveness of implementing Electronic Benefits Transfer (EBT) systems in States to issue food stamp benefits. With me today are Gregory S. Seybold, Assistant Inspector General for Investigations; and Richard D. Long, who was recently appointed as the Assistant Inspector General for Audit.

Operation Talon

The Welfare Reform Act declared individuals ineligible to receive Food Stamp Program benefits who are fleeing to avoid prosecution, custody, or confinement after conviction. At the same time, it authorizes State agencies to provide the addresses of food stamp recipients to any Federal, State, or local law enforcement officer for official purposes.

Capitalizing on this authorization, OIG began a law enforcement initiative known as “Operation Talon” in conjunction with other law enforcement agencies across the United States to locate and apprehend fugitives who may also be illegally receiving food stamp benefits. Operation Talon was designed to carry out the intent of Congress by:

- removing ineligible fugitive felons from Food Stamp Program rolls, thereby reducing program outlays;
- removing fugitive felons from the streets in order to make our communities safer; and
- demonstrating to States how to carry out the statutory provisions on a continuing basis.

Since its inception in early 1997, Operation Talon has resulted in 7,481 arrests. Serious crimes perpetrated by those arrested include homicide-related offenses (murder, attempted murder, and manslaughter), sex offenses (child molestation, rape, and attempted rape), kidnapping/abduction, assault, robbery, and drugs/narcotics violations. Exhibit A contains a chart depicting, by State, the number of arrests and the related crimes.

EBT Implementation

The Welfare Reform Act provides that all States must issue food stamp benefits using an Electronic Benefits Transfer (EBT) system by October 1, 2002, unless the Secretary provides a waiver because the State faces unusual barriers to implementing an EBT system. The EBT systems will ultimately replace food coupons. Currently, 42 States and the District of Columbia have operational EBT systems issuing food stamp benefits. Forty States and the District of Columbia use on-line systems that function similarly to debit cards used in ATM systems. Two States use off-line systems, the so-called “smart cards.” Thirty-nine of the States and the District of Columbia issue all food stamp benefits via EBT systems. Exhibit B presents the status of EBT systems in each of the 50 States and the District of Columbia. The Food and Nutrition Service (FNS) estimates that EBT systems now issue about 80 percent of food stamp benefits.

Nevada and Virginia have approved contracts for statewide implementation. California, Mississippi, and West Virginia have selected EBT vendors. Delaware, Maine, Montana, and Nebraska are in various stages from planning to considering bids resulting from requests-for-proposal. While the number of States with operational statewide systems is impressive, some States with significant caseloads are not yet operational statewide. For example, in California, only San Bernardino and San Diego counties have operational EBT systems, yet California accounts for \$1.6 billion of the \$15.1 billion in food stamp benefits issued in fiscal year 2000. California has selected a contractor for statewide implementation, but Alameda County will not roll out a pilot until August 2002, and Los Angeles County not until January 2003. At this point, it would not appear that California will meet the October 2002 deadline. Indiana, with fiscal year 2000 issuances of about \$271 million, has just started its pilot, and Mississippi, with issuances of \$226 million in fiscal year 2000, has selected a vendor, but the contract has not been approved.

OIG's Audit Efforts

OIG has taken an active role in monitoring and reviewing EBT systems, beginning in 1986 when we reviewed the Reading, Pennsylvania, EBT pilot project, the first in the nation. We view our role as providing assurances to program managers that the systems are functioning as intended, or reporting problems that need to be addressed so that the systems operate properly. Reviewing these systems has been a high priority for OIG and remains so. OIG has reviewed systems in 23 States, concentrating on those that have large caseloads. Overall, our work has shown that EBT systems are working. Benefits in the correct amounts are going to the right people. However, some issues need to be addressed to strengthen controls.

From time to time, we have analyzed work completed at individual States and FNS's headquarters to assess whether there are trends that need attention at the national level. In January 2001, we reported the following:

- Obligations at fiscal yearend were not accurately reflected in FNS's accounting records because of flawed methodology for expunged benefits. Current-year obligations for food stamp benefits were understated, and prior year obligations remained in the accounting system even though no longer available to recipients.
- States did not always report the proper amount of expunged benefits within required timeframes. In fiscal year 1999, obligations were overstated in the FNS accounting system by \$2.5 million.
- We identified more than 180 individuals in 7 States whose access to the State systems should have been removed because their job duties changed or they were no longer employed.

FNS has agreed to address these problems.

EBT Makes Fraud Detection Easier

OIG has supported the use of EBT systems to issue food stamp benefits. While EBT has not eliminated trafficking, it has reduced the amount of street trafficking and makes it more difficult for street traffickers to redeem program benefits. EBT systems provide an electronic record of transactions and have made it easier to identify stores that may be trafficking. They also readily identify the amount stolen from the program, which allows OIG to recover stolen funds through

the use of asset forfeiture restitution. In addition, recipients involved in trafficking can also be identified, something not possible in the coupon system. As a result of EBT, more than 9,000 recipients have been removed from the program. From fiscal year 1996 to the present, we estimate that losses to the Government resulting from EBT-related fraud are approximately \$49 million. We have conducted 386 EBT-related investigations. The EBT investigations have resulted in 431 indictments, 354 convictions, and over \$18 million in monetary results. During the same time period, the amount of total program fraud, including food stamp benefits issued through EBT systems and paper food coupons, is in the hundreds of million of dollars as documented by the Food and Nutrition Service and my office.

That concludes my statement Mr. Chairman. I would be pleased to answers any questions you or members of the committee may have.

CRIMES – UCR Categories	AZ	CA	CO	CT	DE	DC	FL	GA	IL	IN	KS	KY	MD	MA	MI	MS	MN	MO	NC	NJ	NY	NV	OH	OK	OR	PA	TX	VA	WA	WI	Totals
<u>Group A Offenses</u>																															
Arson	1					1				2	2		1		1					2		1	1			1	3				16
Assault Offenses	20	5	9	4		3	5	23	13	26	4	17	73	7	4		2	10		45		2	34	1	2	2	67	16	8	4	406
Bribery																										5				5	
Burglary/Breaking and Entry	5	3	7			2	2	11		18	3	4	7	2	6			8	4	44	4	1	3		7		68	1	3	3	216
Counterfeiting/Forgery	8	2	7				9	6		36	1	11	10	2	6	3		16	5	9		2	11		7	5	191	6		3	356
Destruction of Property												1	11		4			2		1			1		3		9	1			33
Drug/Narcotic Offense	116	36	15	3		4	15	14	361	52	12	46	35	14	16	1	21	67	9	224	7	2	148	1	111	3	252	34	22	9	1,650
Embezzlement		2													6				4			2					1			15	
Extortion/Blackmail	1																													1	
Fraud Offenses	22	313	4		4		6	2		8	5	63	35		21			10	25	175	3		12	4	13		83	18	3	27	856
Gambling Offenses													2																		2
Homicide Offenses							2	3	1	2		1	7		1			2		4			2				6	3	1		35
Kidnapping/Abduction								5				1	2	1	1			1	1	1			2		1		1			17	
Larceny/Theft Offenses	35	14	48	3	1	1	15	16		123	1	25	71		22	3		27	7	89	1	4	37	12	27	4	110	23	13	3	735
Motor Vehicle Theft	2	1					1	3		6			2	3	2			1		7			4		11		20	5	1		69
Pornography/Obscene Material																															
Prostitution Offenses										4			2														1		1		8
Robbery	1	2					9	27	6	5	4	6	7	2	1			5	1	35	1		86	1	2	2	12	7		1	223
Sex Offenses, forced								9	1	2	1		3	2			1	5		4			2				9		1		40
Sex Offenses, Nonforcible	1	2								2										1			1							7	
Stolen Property Offenses		4									4	3		2	5	1		31		45		1	16							112	
Weapon Law Violations	1	2		1		1	1	4		2			2		1			7		8			4		4		5			2	45
<u>Group B Offenses</u>																															
Bad Checks	3						11	2		2	11	2	27		12	18		100				21	7		3		23	3			245
Curfew/Loitering/Vagrancy													1																	1	
Disorderly Conduct	1										2		2																1	6	
Driving Under the Influence	24	2								24	8	2						5				2			6		37				110
Drunkenness																															
Family Offenses, Nonviolent		1					1	5			8	3						6		60					2	1	9			1	97
Liquor Law Violations													2																	2	
Peeping Tom																															
Runaway																						2								2	
Trespass of Real Property	2		3										6					2									1			14	
All Other Offenses	34	16	23	8		30	42	24	161	35	43	73	487	6	81	16	38	43	19	289	54	2	361		10	1	22	217	7	15	2,157
TOTALS	277	405	116	19	5	42	119	154	543	349	109	258	795	41	190	42	62	348	75	1,043	70	40	734	19	209	19	933	336	60	69	7,481

**STATUS OF EBT SYSTEMS
FOR FOOD STAMP PROGRAM
IN 50 STATES AND
DISTRICT OF COLUMBIA
AS OF JUNE 2001**

STATE	TYPE OF SYSTEM	STATUS
Alabama	On-line	Statewide
Alaska	On-line	Statewide
Arizona	On-line	Statewide
Arkansas	On-line	Statewide
California	On-line	Pilots in San Bernardino and San Diego counties, a contractor has been selected for a Statewide system pending State and Federal approval
Colorado	On-line	Statewide
Connecticut	On-line	Statewide
Delaware		Contractor selected, but State rejected the contract
Dist of Columbia	On-line	District-wide
Florida	On-line	Statewide
Georgia	On-line	Statewide
Hawaii	On-line	Statewide
Idaho	On-line	Statewide
Illinois	On-line	Statewide
Indiana	On-line	Pilot started
Iowa	On-line	Linn County
Kansas	On-line	Statewide
Kentucky	On-line	Statewide
Louisiana	On-line	Statewide
Maine		Part of Northeast Coalition of States but did not enter into a contract prior to expiration of the offered pricing – considering whether to issue new request-for-proposal
Maryland	On-line	Statewide
Massachusetts	On-line	Statewide
Michigan	On-line	Expanding statewide
Minnesota	On-line	Statewide
Mississippi	On-line	Contractor selected, contract must now be approved by FNS
Missouri	On-line	Statewide
Montana		Advanced planning document submitted to FNS
Nebraska		Requests-for-proposal returned with bids for consideration
Nevada	On-line	Contractor selected, and contract approved
New Hampshire	On-line	Statewide

STATE	TYPE OF SYSTEM	STATUS
New Jersey	On-line	Statewide
New Mexico	On-line	Statewide
New York	On-line	Statewide
North Carolina	On-line	Statewide
North Dakota	On-line	Statewide
Ohio	Off-line	Statewide
Oklahoma	On-line	Statewide
Oregon	On-line	Statewide
Pennsylvania	On-line	Statewide
Rhode Island	On-line	Statewide
South Carolina	On-line	Statewide
South Dakota	On-line	Statewide
Tennessee	On-line	Statewide
Texas	On-line	Statewide
Utah	On-line	Statewide
Vermont	On-line	Statewide
Virginia	On-line	Contractor selected, and contract approved
Washington	On-line	Statewide
West Virginia	On-line	Contractor selected, but contract not approved
Wisconsin	On-line	Statewide
Wyoming	Off-line	Statewide